

**PIUTE COUNTY SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

# **PIUTE COUNTY SCHOOL DISTRICT**

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Piute County School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Piute County School District (District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

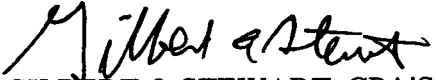
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Piute County School District as of June 30, 2005, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2005, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
GILBERT & STEWART, CPA'S

August 25, 2005

## **Management's Discussion and Analysis**

As management of the Piute County School District (District), we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the fiscal year ending June 30, 2005. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### **Government-Wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The government-wide financial statements include the *statement of net assets* and the *statement of activities*.

The *statement of net assets* presents information on all of the assets and liabilities of the District, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the District changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 11 through 12 of this report.

### **Fund Financial Statements**

A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories, governmental funds and fiduciary funds.

***Governmental funds*** are used to account for essentially the same functions reported as ***governmental activities*** in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for ***governmental funds*** with similar information presented for ***governmental activities*** in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between ***governmental funds*** and ***governmental activities***.

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the ***general fund***, ***capital projects fund***, and ***debt service fund***, all of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of ***combining statements*** elsewhere in this report.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund statements can be found on pages 13 to 17 of this report.

***Fiduciary funds*** are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are *not* reflected in the government-wide financial statement because the District cannot use these funds to finance its operations.

The District uses a fiduciary fund to account for resources held for other groups. The basic fiduciary fund financial statement can be found on page 18 of this report.

## Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 19 to 33 of this report.

## Other Information

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 35 to 43 of this report.

## Government-Wide Financial Analysis (full accrual basis of accounting)

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$3,141,114 at June 30, 2005. Below is a summary of the District's assets, liabilities, and net assets.

### PIUTE COUNTY SCHOOL DISTRICT'S Net Assets

	Governmental Activities	
	2005	2004
Current and other assets	\$ 1,911,562	\$ 1,583,904
Capital assets	2,412,999	2,421,811
Total assets	<u>\$ 4,324,561</u>	<u>\$ 4,005,715</u>
Current and other liabilities	\$ 665,392	\$ 598,632
Noncurrent liabilities	518,054	661,427
	<u>1,183,446</u>	<u>1,260,059</u>
Net Assets:		
Invested in capital assets		
net of related debt	2,039,764	1,904,023
Restricted	488,188	458,438
Unrestricted	613,162	383,195
	<u>\$ 3,141,114</u>	<u>\$ 2,745,656</u>

The largest portion of the District's net assets (65%) reflects its investment in capital assets less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to students and consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is



reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the District's net assets (16%) represent resources that are subject to external restrictions on how they may be used. The remainder of net assets (19%) may be used to meet the District's ongoing obligations to students, employees, and creditors. However, the unrestricted net asset amount has been earmarked for the following purposes:

- Designation for Undistributed Reserve

As allowed by law, the District has established an *undistributed reserve* of \$175,000 of general fund budgeted revenues within the general fund which is set aside for contingencies or possible reductions in state funding and not to be used in negotiation or settlement of contract salaries. The maintenance of a sufficient reserve is a key credit consideration in the District's bond rating.

As of June 30, 2005, the District is able to report positive balances in all three categories of net assets, both for the District as a whole and for its separate governmental activities. The same situation held true for the prior fiscal period.

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**PIUTE COUNTY SCHOOL DISTRICT'S Changes in Net Assets**

	<b>Governmental Activities</b>	
	<u>2005</u>	<u>2004</u>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 77,466	\$ 60,549
Operating grants and contributions	1,341,630	1,351,425
Capital grants and contributions	65,877	65,877
General Revenues:		
Property taxes	393,815	392,545
Federal and state aid not restricted to specific purposes	2,279,570	1,806,430
Earnings on investments	17,998	12,394
Miscellaneous	165,973	124,858
Total revenues	<u>4,342,329</u>	<u>3,814,078</u>
<b>Expenses:</b>		
Instruction	2,609,865	2,345,457
Support services:		
Students	-	-
Instructional staff	25,581	24,037
District administration	312,755	241,281
School administration	130,085	120,908
Business	56,896	57,873
Operation & maintenance of plant	371,269	372,287
Transportation	230,742	208,920
School lunch services	186,871	160,281
Interest on long term liabilities	22,807	34,904
Total expenses	<u>3,946,871</u>	<u>3,565,948</u>
<b>Changes in net assets</b>	395,458	248,130
Net assets, beginning	2,745,656	2,497,526
Net assets, ending	<u>\$ 3,141,114</u>	<u>\$ 2,745,656</u>

**Financial Analysis of the District's Funds (modified accrual basis)**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. The unreserved fund balance is divided between designated balances and undesignated balances. The District has designated portions of the unreserved fund balance to earmark resources for certain government-

wide liabilities that are not recognized in the governmental funds. Undesignated balances in the general fund are required by state law to be appropriated in the following year's budget. Fund balances of capital projects and other governmental funds are restricted by state law to be spent for the purpose of the fund and are not available for spending at the District's discretion.

The ***general fund*** is the chief operating fund of the District. At June 30, 2005, unreserved and undesignated fund balance was \$573,122 while the total fund balance was \$748,122. The unreserved and undesignated fund balance increased by \$218,611 while the total fund balance also increased by \$233,611 during the fiscal year. Annual expenditures in the general fund were \$152,700 more than the final budgeted amounts, and resources available for appropriation were \$33,761 more than final budgeted amounts.

The ***capital projects fund*** has a total fund balance of \$204,764, of which \$0 is restricted for acquisition of capital assets and related expenditures. The fund balance increased by \$1,156 during the fiscal year.

The ***debt service fund*** has a total fund balance of \$179,521, all of which is reserved for the payment of debt service. The fund balance increased by \$29,035 during the fiscal year.

The ***non K-12 programs special revenue fund*** has a total fund balance of \$105,160. This balance is within the total allowed by state guidelines and is restricted to non-kindergarten through twelfth grade programs and other community programs. The fund balance decreased by \$1,907 during the fiscal year.

The ***school lunch special revenue fund*** has a total fund balance of \$2,683. This balance is within the total allowed by state guidelines and is restricted to food service programs. The fund balance increased by \$72 during the fiscal year.

## **Capital Assets and Debt Administration**

### **A. Capital Assets**

The capital projects fund is used primarily to account for costs incurred in acquiring, maintaining, and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District.

The primary class of capital assets used by the District to provide educational services to the public is school buildings. The District continually evaluates the cost efficiency of its buildings as part of its on-going capital improvements plan.

Capital assets at June 30, 2005 are outlined below:

**PIUTE COUNTY SCHOOL DISTRICT'S**

**Capital Assets**

(net of accumulated depreciation)

	<u>2005</u>	<u>2004</u>
Land	\$ 125,000	\$ 125,000
Buildings	1,603,496	1,636,509
Furniture and Equipment	684,503	660,302
	<u>\$ 2,412,999</u>	<u>\$ 2,241,811</u>

**B. Debt Administration**

The general obligation bond debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2005 was \$1,923,578 while the general obligation debt at that date was \$260,000 resulting in a legal debt margin of \$1,663,578. The general obligations debt was reduced by principal payments of \$55,000 during the fiscal year.

Additional information on the District's long-term debt can be found in Note 7 to the basic financial statements.

**Requests for Information**

This financial report is designed to provide a general overview of the Piute County School District's finances and to demonstrate the District's accountability for the funds it receives. If you have any questions concerning this report or need additional financial information, please contact the Business Administrator, Piute County School District, County Courthouse, Junction, Utah 84740.

## BASIC FINANCIAL STATEMENTS

**PIUTE COUNTY SCHOOL DISTRICT**  
**Statement of Net Assets**  
**June 30, 2005**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and investments	\$ 1,483,840
Receivables:	
Property taxes	306,935
Other governments	108,552
Inventories	2,375
Bond issuance costs, net	9,860
Capital assets:	
Land	125,000
Other capital assets, net of accumulated depreciation	2,287,999
Total assets	<u>4,324,561</u>
<b>Liabilities:</b>	
Accounts payable	138,652
Accrued interest	3,940
Accrued salaries	137,592
Deferred revenue:	
Property taxes	296,106
Other governments	89,102
Noncurrent liabilities:	
Due within one year	98,856
Due in more than one year	419,198
Total liabilities	<u>1,183,446</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	2,039,764
Restricted for:	
School lunch	2,683
Non K-12 programs	105,160
Debt service	175,581
Capital projects	204,764
Unrestricted	613,162
Total net assets	<u>\$ 3,141,114</u>

The notes to the financial statements are an integral part of this statement.

**PIUTE COUNTY SCHOOL DISTRICT**  
**Statement of Activities**  
**Year Ended June 30, 2005**

Functions	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
<b>Governmental activities:</b>					
Instructional services	\$ 2,609,865	\$ 44,819	\$ 847,826	\$ 65,877	\$ (1,651,343)
Supporting services:					
Instructional staff	25,581	-	-	-	(25,581)
District administration	312,755	-	115,646	-	(197,109)
School administration	130,085	-	60,356	-	(69,729)
Business	56,896	-	-	-	(56,896)
Operation and maintenance of facilities	371,269	-	-	-	(371,269)
Transportation	230,742	-	199,828	-	(30,914)
School lunch services	186,871	32,647	117,974	-	(36,250)
Interest on long-term liabilities	22,807	-	-	-	(22,807)
<b>Total school district</b>	<b>\$ 3,946,871</b>	<b>\$ 77,466</b>	<b>\$ 1,341,630</b>	<b>\$ 65,877</b>	<b>(2,461,898)</b>
<b>General revenues:</b>					
Property taxes levied for:					
General purposes					175,670
Transportation					5,835
Debt service					100,693
Capital outlay					111,617
Federal and state aid not restricted to specific purposes					2,279,570
Earnings on investments					17,998
Miscellaneous					165,974
<b>Total general revenues</b>					<b>2,857,357</b>
Change in net assets					
<b>Net assets - beginning</b>					<b>395,459</b>
<b>Net assets - ending</b>					<b>2,745,656</b>
					<b>\$ 3,141,114</b>

The notes to the financial statements are an integral part of this statement.

# PIUTE COUNTY SCHOOL DISTRICT

## Balance Sheet Governmental Funds June 30, 2005

	Major Funds			Other	Total
	General	Debt Service	Capital Projects	Governmental Funds	Governmental Funds
<b>Assets:</b>					
Cash and investments	\$ 910,823	\$ 176,752	\$ 201,695	\$ 194,570	\$ 1,483,840
Receivables:					
Property taxes	141,375	76,362	89,198	-	306,935
Other governments	108,552	-	-	-	108,552
Inventory				2,375	2,375
Total assets	<u>\$ 1,160,750</u>	<u>\$ 253,114</u>	<u>\$ 290,893</u>	<u>\$ 196,945</u>	<u>\$ 1,901,702</u>
<b>Liabilities and fund balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 138,652	\$ -	\$ -	\$ -	\$ 138,652
Accrued salaries	137,592	-	-	-	137,592
Deferred revenue:					
Property taxes	136,384	73,593	86,129	-	296,106
Other governments	-	-	-	89,102	89,102
Total liabilities	<u>412,628</u>	<u>73,593</u>	<u>86,129</u>	<u>89,102</u>	<u>661,452</u>
<b>Fund Balances:</b>					
Reserved for:					
Debt service	-	179,521	-	-	179,521
Unreserved:					
Designated for:					
Undistributed reserve	175,000	-	-	-	175,000
Undesignated, reported in:					
General fund	573,122	-	-	-	573,122
Capital projects fund	-	-	204,764	-	204,764
Special revenue funds	-	-	-	107,843	107,843
Total fund balances	<u>748,122</u>	<u>179,521</u>	<u>204,764</u>	<u>107,843</u>	<u>1,240,250</u>
Total liabilities and fund balances	<u>\$ 1,160,750</u>	<u>\$ 253,114</u>	<u>\$ 290,893</u>	<u>\$ 196,945</u>	<u>\$ 1,901,702</u>

The notes to the financial statements are an integral part of this statement.



**PIUTE COUNTY SCHOOL DISTRICT**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets**  
**June 30, 2005**

<b>Total fund balances for governmental funds</b>	<b>\$ 1,240,250</b>
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Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$ 124,999	
Buildings and improvements, net of \$1,434,857 accumulated depreciation	1,603,496	
Furniture and equipment, net of \$792,402 accumulated depreciation	684,503	2,412,998

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is \$1,133 and accrued interest for obligations under capital leases is \$2,807.	(3,940)
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Bond issuance costs are reported as expenditures in the governmental funds. The cost is \$34,500 and accumulated amortization is \$24,640.	9,860
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Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances at year-end are:

Bonds payable	(260,000)	
Obligations under capital leases	(113,234)	
Accrued vacation and sick leave	(144,820)	
Early retirement payable	0	(518,054)

<b>Total net assets of governmental activities</b>	<b>\$ 3,141,114</b>
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The notes to the financial statements are an integral part of this statement.

**PIUTE COUNTY SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2005**

	<b>Major Funds</b>			<b>Other</b>	<b>Total</b>
	<b>General</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Governmental Funds</b>	<b>Governmental Funds</b>
<b>Revenues:</b>					
Property taxes	\$ 181,505	\$ 100,693	\$ 111,617	\$ -	\$ 393,815
Earnings on investments	17,998	-	-	-	17,998
School lunch sales	-	-	-	32,647	32,647
Other local sources	174,542	-	-	36,251	210,793
State aid	3,038,933	-	62,860	88,104	3,189,897
Federal aid	395,267	-	-	101,913	497,180
<b>Total revenues</b>	<b>3,808,245</b>	<b>100,693</b>	<b>174,477</b>	<b>258,915</b>	<b>4,342,330</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Instructional services	2,479,941	-	1,640	110,201	2,591,782
<b>Supporting services:</b>					
Instructional staff	25,581	-	-	-	25,581
District administration	301,105	-	-	-	301,105
School administration	126,425	-	-	-	126,425
Business	56,074	-	-	-	56,074
Operation and maintenance of facilities	353,404	-	-	-	353,404
Transportation	198,104	-	-	-	198,104
School lunch services	-	-	-	184,549	184,549
Capital outlay	-	-	74,584	-	74,584
<b>Debt service:</b>					
Principal retirement	-	55,000	89,553	-	144,553
Interest and fiscal charges	-	16,658	7,544	-	24,202
<b>Total expenditures</b>	<b>3,540,634</b>	<b>71,658</b>	<b>173,321</b>	<b>294,750</b>	<b>4,080,363</b>
Excess (deficiency) of revenues over (under) expenditures	267,611	29,035	1,156	(35,835)	261,967
<b>Other financing sources (uses):</b>					
Transfers	(34,000)	-	-	34,000	-
Equipment capital lease	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(34,000)</b>	<b>-</b>	<b>-</b>	<b>34,000</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>233,611</b>	<b>29,035</b>	<b>1,156</b>	<b>(1,835)</b>	<b>261,967</b>
<b>Fund balances - beginning</b>	<b>514,511</b>	<b>150,486</b>	<b>203,608</b>	<b>109,678</b>	<b>978,283</b>
<b>Fund balances - ending</b>	<b>\$ 748,122</b>	<b>\$ 179,521</b>	<b>\$ 204,764</b>	<b>\$ 107,843</b>	<b>\$ 1,240,250</b>

The notes to the financial statements are an integral part of this statement.

**PIUTE COUNTY SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances of Government Funds to the Statement of Activities**  
**Year Ended June 30, 2005**

Net change in fund balances-total governmental funds \$ 261,967

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 for furniture and equipment and \$100,000 for buildings and improvements are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays	\$ 144,631	
Depreciation expense	<u>(153,443)</u>	(8,812)

Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net assets.

Other financing source - capital lease	-	
Interest expense - capital leases	1,161	
Principal payments of capital leases	<u>89,553</u>	90,714

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	55,000	
Interest expense - general obligation bonds	234	
Amortization of bond issuance costs	<u>(2,464)</u>	52,770

In the statement of activities, certain operating expenses - compensated absences (vacations), special termination benefits (early retirement) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year, accrued sick leave increased by \$1,180, early retirement payable increased by \$0. (1,180)

Change in net assets of governmental activities	<u>\$ 395,459</u>
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**PIUTE COUNTY SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**General Fund**  
**Year Ended June 30, 2005**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget -</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues:</b>				
Property taxes	\$ 190,778	\$ 182,175	\$ 181,505	\$ (670)
Earnings on investments	15,000	16,090	17,998	1,908
Other local sources	145,200	155,813	174,542	18,729
State aid	2,809,471	3,016,088	3,038,933	22,845
Federal aid	287,095	404,318	395,267	(9,051)
Total revenues	3,447,544	3,774,484	3,808,245	33,761
<b>Expenditures:</b>				
Current:				
Instructional services	2,480,047	2,291,150	2,479,941	(188,791)
Supporting services:				
Instructional staff	26,671	29,996	25,581	4,415
District administration	234,992	307,425	301,105	6,320
School administration	118,412	128,115	126,425	1,690
Business	65,638	67,252	56,074	11,178
Operation and maintenance of facilities	340,020	348,325	353,404	(5,079)
Transportation	202,323	215,671	198,104	17,567
Total expenditures	3,468,103	3,387,934	3,540,634	(152,700)
Excess of revenues over expenditures	(20,559)	386,550	267,611	(118,939)
<b>Other financing sources (uses):</b>				
Transfer out	(14,000)	(42,000)	(34,000)	8,000
Net change in fund balances	(34,559)	344,550	233,611	(110,939)
<b>Fund balances - beginning</b>	<b>514,511</b>	<b>514,511</b>	<b>514,511</b>	<b>-</b>
<b>Fund balances - ending</b>	<b>\$ 479,952</b>	<b>\$ 859,061</b>	<b>\$ 748,122</b>	<b>\$ (110,939)</b>

The notes to the financial statements are an integral part of this statement.

**PIUTE COUNTY SCHOOL DISTRICT**  
**Statement of Fiduciary Net Assets**  
**Agency Funds**  
**June 30, 2005**

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	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and investments	\$ 54,125
Total Cash and investments	<u>\$ 54,125</u>
<b>Liabilities</b>	
Due to student groups	\$ 54,125
Total liabilities	<u>\$ 54,125</u>

The notes to the financial statements are an integral part of this statement.

**PIUTE COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Piute County School District have been prepared in conformity with accounting principals generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principals. The more significant accounting policies of the District are described below.

- **Reporting Entity** - The Board of Education, comprised of five elected individuals, is the primary governing authority for the District. The Board establishes District policies, approves budgets, appoints a Superintendent with responsibilities for administering all educational activities of the District, and appoints a Business Administrator with responsibilities for fiscal matters. The Board is authorized to issue bonds, incur short-term debt, levy property taxes, and is not dependent on any other unit of local government. As required by GAAP, these basic financial statements present the activities of the District. The District is not a component unit of any other primary government.

**Government-wide and fund financial statements** – The *government-wide financial statements* (i.e., the statement of net assets and the statement of changes in net assets) display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to a particular function. Depreciation expense for capital assets that can specifically be identified with a function are included in its direct expenses. Depreciation expense for "shared" capital assets (for example, a school building is used primarily for instructional, school administration, operation and maintenance of facilities, and school lunch services) are ratably included in the direct expenses of the appropriate functions. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Interest on general long-term liabilities is considered an indirect expense and is reported in the statement of activities as a separate line.

**PIUTE COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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**1. SUMMARY (*Continued*)**

Program revenues include 1) fees and charges paid by students and other recipients of goods or services, offered by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues.

The *fund financial statements* provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category (governmental, and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- The *capital projects fund* accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment necessary for providing educational programs for all students within the District.
- The *debt service fund* accounts for resources (primarily taxes) accumulated and payments made for retirement of general obligation debt and for payment of associated interest and fees on that debt.

The District reports the following nonmajor special revenue funds that receive revenues which are restricted to expenditures for specified purposes:

- The *school food services fund* accounts for preparation and service of school lunches and breakfasts.
- The *non K-12 fund* accounts for preschool, adult education, recreation and other non K-12 programs.

**PIUTE COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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**1. SUMMARY (Continued)**

Additionally, the District reports the following fund type:

- The *student activities agency fund (a fiduciary fund)* accounts for assets held on behalf of student groups and others.

**Measurement focus, basis of accounting, and financial statement presentation** – The *government-wide and fiduciary fund financial statements* are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without directly giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental fund financial statements* are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when the District receives cash. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, early retirement and post-employment healthcare benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.



**PIUTE COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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**1. SUMMARY (Continued)**

**Budgetary Data** – Budgets are presented on the modified accrual basis of accounting for all governmental funds. Budgets are not adopted on a District level for the student activities agency fund. All annual appropriations lapse at fiscal year-end with the exception of those indicated as a fund balance reserve. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- During June of each year, the District superintendent submits to the Board a proposed operating budget for the next fiscal year commencing July 1<sup>st</sup>. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the current year ending June 30<sup>th</sup>.
- Copies of the proposed budget are made available for public inspection and review by the District's patrons.

If the District does not exceed the certified tax rate, a public hearing is held prior to June 22nd at which the budget is legally adopted by resolution of the Board after obtaining taxpayer input. If the District exceeds the certified tax rate, the budget is adopted in August when data is available to set the tax rates.

- Once adopted, the budget can be amended by subsequent Board action. The Board, upon recommendation of the superintendent can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Utah state law, interim adjustments may be made by administrative transfer of money from one appropriation to another within any given fund.
- Certain interim adjustments in estimated revenue and expenditures during the year ended June 30, 2005, have been included in the final budget approved by the Board, as presented in the financial statements. Budgets were amended at year end.
- Expenditures may not legally exceed budgeted appropriations at the fund level.

Encumbrance accounting is employed in the governmental funds and the internal service fund. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

**PIUTE COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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**1. SUMMARY (Continued)**

Negative variances in total revenues and the positive variances in total expenditures are largely a result of federal and state program revenues and related expenditures that do not have a direct impact on the undesignated fund balance. Budgets generally assume the expenditure of all available resources. Therefore, when the budget is prepared, it is assumed these funds will not have a carryover of revenue to a subsequent year. Program revenue received but not spent is restricted and deferred to the subsequent fiscal year. As a result, overall fund revenue variances will be negative, and overall fund expenditure variances will be positive.

**Deposits and Investments** – The cash balances of substantially all funds are pooled and invested by the District for the purpose of increasing earnings through investment activities and providing efficient management of temporary investments. The pool's investments are reported at fair value at year-end. Changes in the fair value of investments are recorded as investment earnings. Earnings on pooled funds are apportioned and paid or credited to the funds based on the average balance of each participating fund.

**Cash and Cash Equivalents** – The District considers cash and cash equivalents in proprietary funds to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurers' Investment Fund (PTIF).

**Interfund Receivables and Payables** – Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as either "due to/from other funds" (i.e., current portion of interfund loans) or "advances from/to other funds" (i.e., the noncurrent portion of interfund loans).

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available resource.

**Inventories** – Inventories are valued at cost or, if donated, at fair value when received, using the moving average method. The consumption method of accounting is applied to the inventories of all funds.

Inventories of donated United States Department of Agriculture (USDA) commodities on hand at year-end are reported on the balance sheet at fair market value on the date received as inventory. Commodities used during the year are reported as revenues and expenditures on the operating statement.

**PIUTE COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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**1. SUMMARY (Continued)**

**Capital Assets** – Capital assets, which include land, water stock, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 for land, furniture and equipment and \$100,000 for buildings and improvements and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings and improvements and furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	20
Furniture	15
Portable Classrooms	15
Machinery and Tools	15
Buses	15
Laboratory Equipment	10
Musical Instruments	10
Licensed Vehicles	10
Computers	5

**Compensated Absences** – Under terms of association agreements, twelve-month or full-year employees earn vacation and sick leave in amounts varying with tenure and classification. In the event of termination or death, an employee is reimbursed for accumulated sick days to a maximum of 120 days at \$60 per day. No reimbursement or accrual is made for unused vacation leave.

All sick pay plus related payroll taxes are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds if they have matured, for example, as a result of employee resignations and retirements.

**PIUTE COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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**1. SUMMARY (*Continued*)**

**Long-term Obligations** – In the government-wide financial statements financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. Designations of fund balance represent tentative plans for future use of financial resources that are subject to change.

**Comparative Data and Reclassifications** – Comparative data for the prior year has been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with current year's presentation.

**2. DEPOSITS AND INVESTMENTS**

**A. *Deposits***

**Deposits – Custodial Credit Risk** – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The district follows the requirements of the Utah Money Management Act (Section 51, chapter 7 of the Utah Code) in handling its depository and investing transactions. The District considers the actions of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits. District funds are deposited in qualified depositories as defined by the Act. The District does not have a deposit policy for custodial credit risk. As of June 30, 2005, the District's custodial credit risk for deposits were as follows:

**PIUTE COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**2. DEPOSITS AND INVESTMENTS (Continued)**

<u>Depository Account</u>	<u>Custodial Credit Risk</u>	<u>Balance June 30, 2004</u>
Regular Checking Account	Insured	\$ 102,248
Regular Checking Account	Uninsured and collateralized	<u>1,293,692</u>
		<u>\$1,395,940</u>

**B. Investments**

The District's investments are managed through participation in the state Public Treasurer's Investment Fund and through a repurchase agreement arrangement with a local bank. As of June 30, 2004, the District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Utah Public Treasurers' Investment Fund	42 days average	<u>\$471,200</u>

**Investments – Interest Rate Risk** – The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, interest rate risk is managed by compliance to the Utah Money Management Act which provides guidance for handling depository and investing transactions in order to minimize interest rate risk.

**Investments – Credit Risk** – The District follows the requirements of the Utah Money Management Act (Section 51, chapter 7 of the Utah Code) in handling its depository and investing transactions. District funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the District to invest in the Utah Public Treasurers' Investment Fund (PTIF), certificates of deposit, U.S. Treasury obligations, U.S. agency issues, high-trade commercial paper, bankers' acceptances, repurchase agreements, corporate bonds, restricted mutual funds, and obligations of governmental entities within the State of Utah. The PTIF is invested in accordance with the Act. The State Money Management Council provides regulatory oversight for the PTIF. The degree of risk of the PTIF depends upon the underlying portfolio. The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, public treasurers are notified immediately. The District considers the actions of the Council to be necessary and sufficient for adequate protection of its investments. The District has no investment policy that would further limit its investment choices.

**PIUTE COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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*Investments – Custodial Credit Risk* – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**3. PROPERTY TAXES**

The property tax revenue of the District is collected and distributed by the Piute County treasurer as an agent of the District. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%. The interest rate period is from January 1 until the date paid.

Beginning January 1, 1992, an annual uniform fee based on the value of motor vehicles was levied in lieu of an ad valorem tax on motor vehicles. This uniform fee was 1.5% of the fair market value statewide value of the property, as established by the State Tax Commission. Effective January 1, 1999, legislation required motor vehicles be subject to an "age-based" fee that is due each time a vehicle is registered. The age-based fee is for passenger type vehicles and ranges from \$10 to \$150 based on the age of the vehicle. The revenues collected in each county from motor vehicle fees is distributed by the county to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The District recognizes motor vehicle fees as property tax revenue when the County collects it.

As of June 30, 2005, property taxes receivable by the District includes uncollected taxes assessed as of January 1, 2005 or earlier. It is expected that all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected within a five-year period, after which time the county treasurer may force sale of property to collect the delinquent portion.

**PIUTE COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**4. CAPITAL ASSETS**

Capital Asset activity for the year ended June 30, 2005 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated				
Land	\$ 125,000	\$ -	\$ -	\$ 125,000
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, not being depreciated	125,000	-	-	125,000
Capital assets, being depreciated				
Buildings and improvements	3,007,798	30,555	-	3,038,353
Furniture and equipment	<u>1,362,828</u>	<u>114,076</u>	<u>-</u>	<u>1,476,904</u>
Total capital assets, being depreciated	<u>4,370,626</u>	<u>144,631</u>	<u>-</u>	<u>4,515,257</u>
Accumulated depreciation for:				
Buildings and improvements	(1,371,289)	(63,568)	-	(1,434,857)
Furniture and equipment	<u>(702,526)</u>	<u>(89,875)</u>	<u>-</u>	<u>(792,401)</u>
Total accumulated depreciation	<u>(2,073,815)</u>	<u>(153,443)</u>	<u>-</u>	<u>(2,227,258)</u>
Total capital assets, being depreciated, net	<u>2,296,811</u>	<u>( 8,812)</u>	<u>-</u>	<u>2,287,999</u>
Governmental activities capital assets, net	<u>\$2,421,811</u>	<u>(\$ 8,812)</u>	<u>-</u>	<u>\$2,412,999</u>

For the year ended June 30, 2005, depreciation expense was charged to functions of the District as follows:

<b>Governmental activities:</b>	
Instructional services	\$ 85,666
Supporting services:	
District administration	11,650
School administration	2,480
Business	822
Operation and maintenance of facilities	17,865
Transportation	32,638
School lunch services	<u>2,322</u>
Total depreciation expense - governmental activities	<u>\$ 153,443</u>

**PIUTE COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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**5. RETIREMENT PLANS**

**Defined Benefit Plans** - The District contributes to the State and School Contributory Retirement System and State and School Noncontributory Retirement System (Systems), which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (URS). URS provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Plan members in the State and School Contributory Retirement System are required to contribute 5% of their annual covered salary (all or part may be paid by the employer for the employee) and Piute County School District is required to contribute 8.89% of their member's annual covered salary. In the State and School Noncontributory Retirement System the Piute County School District is required to contribute 13.38% of the member's annual covered salary. The contribution rates are the actuarial determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The District's contributions to the State and School Contributory Retirement System for the years ending June 30, 2005, 2004 and 2003 were \$492, \$446 and \$426 respectively. The Noncontributory Retirement System contributions for June 30, 2005, 2004 and 2003 were \$188,413, \$166,968 and \$144,596 respectively. The contributions were equal to the required contributions for each year.



**PIUTE COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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**5. RETIREMENT PLANS *(Continued)***

**Defined Contribution Plan** – The District participates in a defined contribution plan under Internal Revenue Code Section 401(k) to supplement retirement benefits accrued by participants in the Systems. Employees covered by the State and School Noncontributory Retirement System have a contribution of 1.5% of covered salaries automatically made by the District. Employees participating in the Systems can make additional contributions to the 401(k) plan up to specified limits. Contributions and earnings may be withdrawn by the employee upon termination or may be used as supplemental income upon retirement. The employer 401(k) contributions for the years ended June 30, 2005, 2004, and 2003 were \$33,221, \$32,363, and \$31,836, respectively; the employee contributions for the years ending June 30, 2005, 2004, and 2003 were \$23,162, \$25,681 and \$25,073, respectively. The 401(k) plan funds are fully vested to the participants at the time of deposit. Plan assets are administered and held by URS.

**6. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has joined with other public entities in a common risk management and insurance program operated by the State of Utah Division of Risk Management. The District pays premiums to this risk pool, the Utah State Risk Management Fund, for its general insurance coverage. The pool is self sustaining through member premiums and reinsures through commercial companies for claims in excess of specified amounts for certain types of risks. The District is subject to a minimal deductible for claims of the risk pool. The District has purchased commercial insurance for other risks of loss including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**PIUTE COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**7. LONG-TERM DEBT**

Long-term liability activity for the year ended June 30, 2005 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 315,000	-	\$ (55,000)	\$ 260,000	\$ 60,000
Total bonds payable, net	315,000	-	(55,000)	260,000	60,000
Obligations under capital lease	202,787		( 89,553)	113,234	38,856
Accrued sick pay payable	143,640	1,180	-	144,820	-
Total governmental activity					
Long-term liabilities	<u>\$ 661,427</u>	<u>\$ 1,180</u>	<u>\$ (144,553)</u>	<u>\$ 518,054</u>	<u>\$ 98,856</u>

Payments on the general obligation bonds are made by the debt service fund from property taxes and earnings on investments. The obligations under capital leases are paid by the capital projects fund. Vacation, sick leave, and early retirement benefits will be paid by the fund in which the employee worked.

**General Obligation Bonds** – On March 27, 1996 the District issued general obligation refunding bonds to defease their 1989 Series Bonds. The bonds bear interest between 4.45% and 5.30%. Outstanding general obligation bonds at June 30, 2005 are as follows:

	<u>Rates</u>	<u>Maturity Dates</u>	<u>Balance</u>
Series 1996 Dated March 27, 1996 - Original	4.45% to		
Amount \$620,000	5.30%	2009	\$ 260,000
Total			<u>\$ 260,000</u>

The debt service requirements to maturity for the general obligation bonds are shown below:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 60,000	\$ 13,593	\$ 73,593
2007	65,000	10,503	75,503
2008	65,000	7,123	72,123
2009	70,000	3,710	73,710
Total	<u>\$ 260,000</u>	<u>\$ 34,929</u>	<u>\$ 294,929</u>

**PIUTE COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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**7. LONG-TERM DEBT (Continued)**

The general obligation bonded debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2005 is \$1,923,578. General obligation debt at June 30, 2005 is \$260,000, resulting in a legal debt margin of \$1,663,578.

**Obligations Under Capital Lease** – The District obtained equipment and buses under capital lease arrangements. Annual payments are funded either through the capital projects fund or from transportation. The future minimum lease payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 55,526	\$ 4,451	\$ 59,977
2007	57,708	2,270	59,978
Total	<u>\$ 113,234</u>	<u>\$ 6,721</u>	<u>\$ 119,955</u>

**8. DESIGNATED FOR UNDISTRIBUTED RESERVE**

Utah State law allows for the establishment of an undistributed reserve. The Board of Education must authorize expenditures from the undistributed reserve. This reserve is for contingencies. According to State law, the District may not use undistributed reserves in the negotiation or settlement of contract salaries for District employees. The undistributed reserve may not exceed 5% of the current fiscal year's total general fund budgeted revenues. Use of the reserve requires a written resolution adopted by a majority vote of the Board filed with Utah State Board of Education and State Auditor.

**9. GRANTS**

The District receives significant financial assistance from Federal and State governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable fund. Based on prior experience, District administration believes such disallowance, if any, would be immaterial.

**PIUTE COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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**10. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Utah law requires that actual expenditures shall not exceed budgeted appropriations for any fund. Actual expenditures in the General Fund exceeded appropriations by \$152,700.

*(The balance of this page is intentionally left blank.)*

## **NONMAJOR GOVERNMENTAL FUNDS**

### **Special Revenue Funds**

**School Lunch Fund** – This fund is used to account for the food service activities of the District as required by state and federal law. Financing is provided by local sales along with substantial subsidies from the State of Utah and the U.S. Government to help ensure that students receive low-cost, nutritionally balanced meals.

**Non K-12 Programs Fund** – This fund is used to account for programs that are not part of the basic educational program of kindergarten, elementary and secondary students. These areas include adult education and preschool for disabled students. This fund is also used to account for costs to provide community educational and recreational activities. Financing is provided primarily through grants and student fees.

**PIUTE COUNTY SCHOOL DISTRICT**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
June 30, 2005

	<u>Special Revenue</u>		<u>Total</u>
	<u>School</u>	<u>Non K-12</u>	<u>Nonmajor</u>
	<u>Lunch</u>	<u>Programs</u>	<u>Governmental</u>
			<u>Funds</u>
<b>Assets:</b>			
Cash and investments	\$ 2,683	\$ 191,887	\$ 194,570
Receivables:			
Other governments	-	-	-
Inventory	2,375	-	2,375
Total assets	<u>\$ 5,058</u>	<u>\$ 191,887</u>	<u>\$ 196,945</u>
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ -	\$ -
Deferred revenue:			
Other governments	2,375	86,727	89,102
Total liabilities	<u>2,375</u>	<u>86,727</u>	<u>89,102</u>
<b>Fund balances:</b>			
Unreserved:			
Undesignated	2,683	105,160	107,843
Total fund balances	<u>2,683</u>	<u>105,160</u>	<u>107,843</u>
Total liabilities and fund balances	<u>\$ 5,058</u>	<u>\$ 191,887</u>	<u>\$ 196,945</u>

**PIUTE COUNTY SCHOOL DISTRICT**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2005**

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>School Lunch</u>	<u>Non K-12 Programs</u>	
<b>Revenues:</b>			
Property tax	\$ -	\$ -	\$ -
Student fees	-	36,251	36,251
Lunch sales	32,647	-	32,647
State aid	16,061	72,043	88,104
Federal aid	101,913	-	101,913
Total revenues	<u>150,621</u>	<u>108,294</u>	<u>258,915</u>
<b>Expenditures:</b>			
Current:			
Instructional services	-	110,201	110,201
School lunch services	<u>184,549</u>	<u>-</u>	<u>184,549</u>
Total expenditures	<u>184,549</u>	<u>110,201</u>	<u>294,750</u>
Excess of revenues over expenditures	(33,928)	(1,907)	(35,835)
<b>Other financing sources:</b>			
Transfer in	<u>34,000</u>	<u>-</u>	<u>34,000</u>
Net change in fund balances	72	(1,907)	(1,835)
Fund balances - beginning	<u>2,611</u>	<u>107,067</u>	<u>109,678</u>
Fund balances - ending	<u>\$ 2,683</u>	<u>\$ 105,160</u>	<u>\$ 107,843</u>

**PIUTE COUNTY SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**School Lunch**  
**Nonmajor Special Revenue Fund**  
**Year Ended June 30, 2005**  
**With Comparative Totals for 2004**

	2005		Variance with	2004
	Final Budgeted Amounts	Actual Amounts	Final Budget - Positive (Negative)	Actual Amounts
<b>Revenues:</b>				
Local sources:				
Lunch sales - children	\$ 27,908	\$ 27,719	\$ (189)	\$ 29,704
Lunch Sales - adult	4,739	4,739	-	5,017
Other local sales	3,421	189	(3,232)	524
Total local sources	36,068	32,647	(3,421)	35,245
State sources:				
State lunch program	12,640	16,061	3,421	13,109
Total state sources	12,640	16,061	3,421	13,109
Federal sources:				
Federal lunch program	10,136	10,136	-	10,093
Free and reduced assistance	58,864	58,864	-	54,110
Breakfast program	24,092	24,092	-	27,565
Other	8,041	8,821	780	7,973
Total federal sources	101,133	101,913	780	99,741
Total revenues	149,841	150,621	780	148,095
<b>Expenditures:</b>				
Current:				
Salaries	77,757	63,858	13,899	58,731
Employee benefits	30,959	28,004	2,955	25,624
Purchased services	5,391	5,390	1	2,282
Supplies	209	209	-	1,040
Food	63,117	70,697	(7,580)	65,684
Other	16,391	16,391	-	5,140
Total expenditures	193,824	184,549	9,275	158,501
Excess (deficiency) of revenues over expenditures	(43,983)	(33,928)	10,055	(10,406)
<b>Other financing sources and (uses)</b>				
Transfers in	42,000	34,000	(8,000)	11,000
Transfers out	-	-	-	-
Net change in fund balances	(1,983)	72	2,055	594
Fund balances - beginning	2,611	2,611	-	2,017
Fund balances - ending	\$ 628	\$ 2,683	\$ 2,055	\$ 2,611



**PIUTE COUNTY SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Non K-12 Programs**  
**Nonmajor Special Revenue Fund**  
**Year Ended June 30, 2005**  
**With Comparative Totals for 2004**

	2005			2004
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
<b>Revenues:</b>				
Local sources:				
Property taxes	\$ -	\$ -	\$ -	
Community school fees	30,000	36,251	6,251	13,075
Total local sources	30,000	36,251	6,251	13,075
State sources:				
Adult high school completion	19,675	19,675	-	32,250
Preschool	52,368	52,368	-	17,946
Medicare Outreach			-	-
Total state sources	72,043	72,043	-	50,196
Federal sources:				
Special education preschool grant	25,288	-	(25,288)	58,292
Adult education	-	-	-	-
Total federal sources	25,288	-	(25,288)	58,292
Total revenues	127,331	108,294	(19,037)	121,563
<b>Expenditures:</b>				
Current:				
Salaries	55,089	58,336	(3,247)	55,340
Employee benefits	24,092	23,919	173	23,915
Purchased services	3,461	3,581	(120)	3,533
Supplies	9,415	9,415	-	7,464
Equipment	30,526	14,950	15,576	-
Total expenditures	122,583	110,201	12,382	90,252
Excess (deficiency) of revenues over (under) expenditures	4,748	(1,907)	(6,655)	31,311
Fund balances - beginning	107,067	107,067	-	75,756
Fund balances - ending	\$ 111,815	\$ 105,160	\$ (6,655)	\$ 107,067

## **MAJOR GOVERNMENTAL FUNDS**

**General Fund** – This fund services primary on-going operation of the District. It is used to account for activity and financial resources that are not required to be accounted for in other funds.

**Debt Service Fund** - The Debt Service Fund is used to account for the receipt of property taxes levied for retirement of general obligation debt. The expenditures are for principal retirement and for payment of interest and fees.

**Capital Projects Fund** - The Capital Projects Fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District. Financing is provided by an annual property tax levy not to exceed .0024 plus an additional levy in an amount not to exceed 10% of the cost of the basic program as authorized by Utah Code 53A-16-104 and 53A-17a-145. Also, state funds can be obtained by qualifying under guidelines established for districts determined to be in critical need for construction building aid.

**PIUTE COUNTY SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Major Debt Service Fund**  
**Year Ended June 30, 2005**

	2005			2004
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
<b>Revenues:</b>				
Property tax	\$ 110,459	\$ 100,693	\$ (9,766)	\$ 104,812
Earnings on investments			-	
Total revenues	110,459	100,693	(9,766)	104,812
<b>Expenditures:</b>				
Debt service:				
Bond principal	55,000	55,000	-	55,000
Bond interest	16,658	16,658	-	19,430
Total expenditures	71,658	71,658	-	74,430
Excess (deficiency) of revenues over (under) expenditures	38,801	29,035	(9,766)	30,382
<b>Other financing sources (uses):</b>				
Proceeds of refunding bonds	-	-	-	
Payment to refunded bond escrow agent	-	-	-	
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	38,801	29,035	(9,766)	30,382
Fund balance - beginning	150,486	150,486	-	120,104
Fund balance - ending	\$ 189,287	\$ 179,521	\$ (9,766)	\$ 150,486

**PIUTE COUNTY SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Major Capital Projects Fund**  
**Year Ended June 30, 2005**  
**With Comparative Totals for 2004**

	2005			2004
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
<b>Revenues:</b>				
Local sources:				
Property taxes	\$ 113,624	\$ 111,617	\$ (2,007)	\$ 116,464
Other local revenues		-	-	66,642
Total local sources	113,624	111,617	(2,007)	183,106
State sources:				
Capital outlay foundation	62,860	62,860	-	65,877
Other	-	-	-	-
Total state sources	62,860	62,860	-	65,877
Total revenues	176,484	174,477	(2,007)	248,983
<b>Expenditures:</b>				
Instructional Services:				
Salaries and Benfits	-	-	-	-
Supplies	1,640	1,640	-	1,018
Total instructional services	1,640	1,640	-	1,018
Land and buildings:				
Land improvements	4,310	4,310	-	4,607
Building improvements	7,775	7,775	-	168,111
Total land and buildings	12,085	12,085	-	172,718
Equipment:				
Equipment	62,500	62,499	1	33,777
Capital lease principal	89,553	89,553	-	227,373
Capital lease interest	7,544	7,544	-	16,142
Other instructional equipment	-	-	-	8,504
Buses	-	-	-	-
Total equipment	159,597	159,596	1	285,796
Total expenditures	173,322	173,321	1	459,532
Excess (deficiency) of revenues over (under) expenditures	3,162	1,156	(2,006)	(210,549)
<b>Other Financing Sources (Uses):</b>				
Equipment capital lease	-	-	-	118,033
Total other financing sources (uses)	-	-	-	118,033
Net change in fund balances	3,162	1,156	(2,006)	(92,516)
Fund balance - beginning	203,608	203,608	-	296,124
Fund balance - ending	\$ 206,770	\$ 204,764	\$ (2,006)	\$ 203,608

## **FIDUCIARY FUNDS**

**Student Activities Agency Fund** – This fund is used to account for the receipt and disbursement of monies for student activity groups and organizations and other custodial type transactions within the schools. The District has a fiduciary responsibility concerning these funds to ensure their safety and accountability.

**PIUTE COUNTY SCHOOL DISTRICT**  
**Statement of Changes in Assets and Liabilities**  
*Agency Funds*  
Year Ended June 30, 2005

	<u>Net Assets at July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Net Assets at June 30, 2005</u>
<b>Assets:</b>				
Cash and investments	\$ 45,523	\$ 164,400	\$ 155,798	\$ 54,125
Advance from other fund	-	-	-	-
	<u>\$ 45,523</u>	<u>\$ 164,400</u>	<u>\$ 155,798</u>	<u>\$ 54,125</u>
<b>Liabilities:</b>				
Due to other funds	\$ -		\$ -	\$ -
Due to student organizations:				
<b>Elementary Schools:</b>				
Oscarson Elementary	511	11,765	10,028	2,248
Circleville Elementary	<u>3,764</u>	<u>16,561</u>	<u>15,689</u>	<u>4,636</u>
Total elementary schools	<u>4,275</u>	<u>28,326</u>	<u>25,717</u>	<u>6,884</u>
<b>High Schools:</b>				
Piute High School	<u>41,248</u>	<u>136,074</u>	<u>130,081</u>	<u>47,241</u>
Total high schools and special purpose programs	<u>41,248</u>	<u>136,074</u>	<u>130,081</u>	<u>47,241</u>
Total due to student organizations	<u>45,523</u>	<u>164,400</u>	<u>155,798</u>	<u>54,125</u>
Total liabilities	<u>\$ 45,523</u>	<u>\$ 164,400</u>	<u>\$ 155,798</u>	<u>\$ 54,125</u>

## **OTHER REPORTS**

# GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION

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LYNN A. GILBERT, C.P.A.  
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## Report on Internal Control Over Financial Reporting and Compliance Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards*

Board of Education  
Piute County School District  
Junction, UT

August 25, 2005

We have audited the financial statements of Piute County School District as of and for the year ended June 30, 2005, and have issued our report thereon dated August 25, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

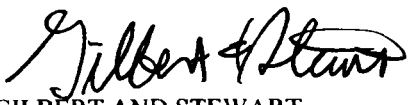
### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Piute County School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters, involving the internal control over financial reporting that we have reported to management of Piute County School District in a separate letter dated August 25, 2005.

### Compliance

As part of obtaining reasonable assurance about whether Piute County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance that we have reported to management of Piute County School District in a separate letter dated August 25, 2005.

This report is intended solely for the information of management, Utah State Auditor, State Office of Education, Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
GILBERT AND STEWART  
Certified Public Accountants



**GILBERT & STEWART**  
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A PROFESSIONAL CORPORATION

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**Independent Auditor's Report on  
Legal Compliance with Applicable  
Utah State Laws and Regulations**

Board of Education  
Piute County School District  
Junction, UT

August 25, 2005

We have audited the accompanying financial statements of the governmental activities of Piute County School District for the year ended June 30, 2005, and have issued our report thereon dated August 25, 2005. As part of our audit, we have audited Piute County School District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major state assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2005. The District received the following major state assistance programs from the State of Utah:

**Minimum School Programs**

The District also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to test work as part of the audit of the Piute County School district's financial statements.)

School Lunch Program  
Drivers Education  
Family Preservation  
LIC Children at Risk  
Substance Abuse

Our audit also included test work on the District's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt  
Budgetary Compliance  
Cash Management  
Property Tax  
Purchasing Requirements  
Other Compliance Requirements

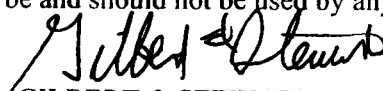
The management of the Piute County School District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Piute County School District complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major state assistance programs for the year ended June 30, 2005.

This report is intended solely for the information of management, the Board of Education, state Office of Education, and Utah State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

  
GILBERT & STEWART  
Certified Public Accountants

**PIUTE COUNTY SCHOOL DISTRICT**

**MANAGEMENT LETTER**

**JUNE 30, 2005**

# GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION

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August 25, 2005

Piute County School District  
Junction, UT

We have audited the financial statements of Piute County School District for the year ended June 30, 2005 and have issued our report thereon dated August 25, 2005. Professional standards require that we provide you with the following information related to our audit.

## Our Responsibility under U.S Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Piute County School District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Piute County School District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

## Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Piute County School District are described in Note 1 to the financial statements. No new accounting policies or procedures were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Piute County School District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

### Significant Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Piute County School District's financial reporting process. In our judgment, none of the adjustments we proposed whether recorded or unrecorded by the District, either individually or in the aggregate, indicate matters that could have a significant effect on the District's financial reporting process.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the government unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in performing our audit.

## Utah State Findings - Current Year

### 05-1 Budgetary Compliance

**Finding:** *Utah Code , Section 53A-19* requires the District to maintain expenditures within the adopted budget. We noted that the District's actual expenditures exceeded budgeted expenditures in the following fund:

General Fund	\$ 152,700
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**Recommendation:** We recommend that the District make proper adjustments of the budget each year end to comply with state law. In this particular case non-cash revenue and expenditure for commodities from the Federal government were not taken into account on the final budget. We recommend allowance be provided for these items in the future.

**District's Response:** We concur with the auditor's recommendation.

## Utah State Findings - Prior Year

### 04-1 Budgetary Compliance


Certain funds expended in excess of those amounts budgeted. See current year finding number 05-1.

## Other Matters for Consideration

1. During our testing of cash disbursements we note instances where proper back up was not being kept for certain disbursements. Most of these expenditures were found in the Family Preservation program. We recommend the use of the purchase order system to properly document and approve these expenditures. For all reimbursements, we recommend that a reimbursement request form be filled out with detail about the expenditure and the purpose of the expenditure. These improvements will help verify and properly record expenditures.

This information is intended solely for the use of The Piute County School District and the management of the Piute County School District, and is not intended and should not be used by anyone other than these specified parties.

Very truly yours,

  
GILBERT & STEWART  
Certified Public Accountants